



United States Senate
**Committee on Small Business
and Entrepreneurship**
Olympia J. Snowe, Chair

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For Immediate Release:
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**SNOWE PRESSES FEMA TO FIX NEW KATRINA CONTRACTING
ACTIONS**

Troubled By Agency's Failure; Requests Update on Contracting Progress

(Washington, DC) – U.S. Senator Olympia J. Snowe (R-Maine), Chair of the United States Senate Committee on Small Business and Entrepreneurship, today requested that the Federal Emergency Management Agency (FEMA) correct the two-pronged contracting actions that the agency announced for the work related to the Hurricane Katrina relief and future disasters. Snowe praised FEMA for its intention to set-aside some work in the Gulf Coast to small disadvantaged businesses. However, Snowe criticized FEMA for going back on its pledge to recompile \$1.5 billion in no-bid contracts awarded to large firms and for bundling future disaster work into huge, nationwide contracts unsuitable for small businesses. Senator Snowe requested that FEMA provide the Committee with an update by October 21st.

In a letter to FEMA Acting Director R. David Paulison, Snowe wrote:

"I was troubled to read that your Agency's Hurricane Katrina contracts have been well below the statutory goals set by the Congress in the Small Business Act with regard to participation by small business concerns, small disadvantaged business concerns, small business concerns owned by women and service-disabled veterans, and small business concerns which are based in, and employ people from, the Historically Underutilized Business Zones (Hub Zones).

"I see no reason why the work for this disaster and future disasters cannot be apportioned among small businesses or teams of small businesses on a local or regional basis in accordance with the Small Business Act. While your agency's chosen approach may be administratively convenient, I am concerned that it ignores the very real potential for delays which commonly occur when large companies attempt to mobilize and relocate its workers and assets to the affected area. Small Businesses have proven to be capable partners in federal contracting. In addition, both this Committee and President Bush have often emphasized the tremendous positive stimulus for job creation and business ownership when large government contracts are unbundled. With unemployment and business interruptions in the wake of natural and other disasters, it is imperative that every Federal agency involved in disaster recovery meets and even exceeds the statutory goals for small business prime contracting.

"I would also like to reiterate my previous concerns about small business subcontracting at the FEMA. As you know, the Small Business Act requires that large companies conclude a subcontracting plan ensuring good-faith efforts to provide opportunities to small firms. It does

not appear whether any of your incumbent Katrina contractors have such plans in place. The Act also requires that prior subcontracting utilization be taken into account in making future contract awards, something that your agency's procurement strategy commits to doing. It appears that three out of four companies originally awarded the \$1.5 billion in Katrina-related contracts by the FEMA were cited by the Government Accountability Office (GAO) for generating "misleading" subcontracting achievements on the Department of Energy projects.

"Therefore, I ask that by October 21 your Agency provide my Committee with an update on its plans for meeting small business goals in Katrina-related contracting, as well as copies of the latest small business subcontracting plans and Standard Forms 294 (Subcontracting Report for Individual Contracts) and 295 (Summary Subcontracting Report) from your four incumbent large Katrina-related contractors. I look forward to hearing from you."

Senator Snowe and Congressman Donald A. Manzullo (R-Illinois) have requested that the Government Accountability Office (GAO) investigate whether small and minority-owned businesses have been given a fair opportunity to compete for Federal and Federally-funded contracts and subcontracts for Hurricane Katrina relief.

A copy of the letter is attached.

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